UBS TOKEN

Proposal Document

Abstract

A proposal document outlining the intentions, requirements and outcomes of a UBS token backed by CBDCs on individual households and the global economy as a whole.

Anthony Smith

Table of Contents

Introduction

The case for Universal Basic Services is now unquestionable. We face a perilous time of rising energy prices, the threat of another Great Recession having inflated asset prices to recover from the very recent last one that served only to increase global inequality and perhaps even deflation or stagflation should inappropriate interventionist action be taken. Let alone the very real danger of being dragged into another war along with Europe.

These factors have served to ravage the disposable income available to the average household through exorbitant energy bills and rising food inflation. However, the advent of Central Bank Digital Currencies (CBDCs) paves the way forward for a new era of UBS tokens that are linked to CBDCs that can relieve the financial pressures every citizen faces now and for the foreseeable future.

The difference between current paper fiat currency and CBDC is that a CBDC will permit the creation of tokens that are intrinsically linked to the CBDC through an exchange rate mechanism which are capable of having their supply increased or decreased. It is illegal to burn supply currently – tokens, however, can be as they are not fiat.

This ability to burn the supply of tokens permits a new era of inflation management whereby supply can be controlled in both directions, should inflation be above or below the Central Bank target. A new weapon is at their disposal. Currently, inflation is the equivalent of burning fiat supply to reduce value and encourage growth at all times. But by tempering the rate of inflation with token burning, Central Bank inflation targets could actually be reduced over time.

Basic Principles

- The tokens are algorithmically backed to maintain relative parity with the national currency at a variable exchange rate that operates within a realm of tolerance to adjust for inflation as measured against the national Central Bank target.
- You cannot transfer fiat into tokens, nor can you transfer tokens to other people's wallets as a gift. You can only sell tokens for the national currency in the country in which they were issued.
- As inflation rises above the national target, UBS tokens become more valuable and the exchange rate of the tokens to national fiat currency to encourage spending tokens rather than fiat on essential bills, goods and services.
- If we are in deflationary times, the token value stays flat to stimulate spending and increase fiat inflation back towards national targets.
- Global inflation is not completely countered but the tokens become relatively more valuable to assist in high inflationary times and decreases in low inflation to encourage fiat in those times.
- If supply and demand is fixed by the government issuing the token, then there is no need for arbitrage to maintain the peg as the price can be fixed by algorithmically controlling supply based on inflation.
- The token is not tradeable on exchanges for other cryptocurrency.
- If the tokens aren't spent within a month, they return to Central Bank supply. As the tokens are issued into digital wallets the time expiry can automatically be applied. This will discourage hoarding and help stimulate the economy at all times.
- As token supply increases in adoption throughout the global economy, potentially replacing fiat as job income for example, Central Bank inflation targets can move closer to zero.
- The initial supply is derived from the national inflation rate target, inflation rate and the current national currency exchange rate to incorporate purchasing power parity.
- To participate, your national inflation rate must be below 30%. Otherwise, the token supply initiates at a very low supply level as it flattens during deflationary periods and whilst the rate of increase and decrease are decreasing. This would lock in a lack of value from day one that could never be recovered, apart from significant burning which may gravitate token supply towards zero.

Outcomes

- The inflationary impact will be minimal whilst assisting in drawing average wages closer together, mitigating global inflation when national targets aren't met and helping households when there is a cost of living crisis due to high commodity prices.
- Quantitative tightening is enacted at a household level, not by large financial institutions in the hope of trickle-down economics functioning as intended.
- The average consumer doesn't suffer a real loss in disposable income whilst maintaining asset prices as inflation rises.
- As inflation remains above the target but is declining, the switch to increasing the token and CBDC supply at the same ratio - quantitative easing at a household level - prevents the token value gravitating towards zero over time.
- High inflation to increase the token value received doesn't work so politically motivated abuse of the Central Bank inflation target is blocked.
- As inflation rises, the token retains its store of value; as inflation declines, the token declines in value.
- In times of high inflation where pay rises are hard to justify due to their inflationary impact, age quotas increase real take home pay regardless at a rate of 1% per year.
- The token is counter-inflationary in rising inflation for real household income.

Requirements

- A CBDC must be nationally adopted and operational.
- A CBDC/UBS token exchange platform needs to be built and maintained by the Bank of England, or a trustworthy entity on their behalf.
- Every citizen of age to receive the token needs a digital wallet that can be operated on a smartphone, on-line and off-line, as well as on desktops.
- The verification process for each user needs to compliant with government legislation and law, the Financial Conduct Authority, GDPR, anti-money laundering, fraud prevention and anti-terrorism funding.

Use Cases

- Launch of token system and calculation of supply factor
- Monthly empty and refill of wallets
- Citizen birthday causes change in quota level
- Inflation below target rate and rising
- Inflation below target rate and falling
- Inflation meets target rate
- Inflation above target rate and rising
- Inflation above target rate and falling
- Inflation above target rate and flat
- Customer exchanges token for fiat